



Date: November 12, 2009
To: Dan Curry, Acting Director of Housing & Community Development
From: Internal Audit Division
Subject: Jericho House, Incorporated. 2007-2008

The Internal Audit Division has performed our compliance review of the year ended December 31, 2008 of Jericho House, Incorporated (Agency) which received a loan from the City of Greensboro (City) in the amount of \$62,000 in March of 2002. This loan helped in the purchase of the Jericho House for men in the Greensboro area. This house is located at 2824 Liberty Road.

This loan is non-interest bearing and repayment is not required as long as the house remains available as transitional housing for men. These men are provided room and board; transportation to jobs and/or interviews; budget planning and support to re-enter the workforce. The loan repayment will be deferred for five years. Beginning on the sixth anniversary or March 9, 2008 from the date of execution of the loan agreement the loan amount will be reduced by ten (10%) per cent or \$6,200 per year. Final repayment is due March 14, 2017.

Mr. Jim Teele, Rehabilitation Advisor from the Department of Housing & Community Development (HCD) inspected this residence and some repairs were noted for the property. A copy of these issues were given to Mr. Jack Alford, Treasurer of the Jericho House to address before the issues escalate into costly problems.

We examined selected financial transactions maintained by the entity for compliance with the loan agreement. Based on our review, it appears that the funds have been spent according to the terms of the loan agreement except for the following finding:

FINDING:

Per the Agency's external auditor's Management report dated March 20, 2009, it states due to staffing, "The Organization is unable to record the entity's financial transactions or prepare financial statements and related disclosures in accordance with generally accepted accounting principles. "

RECOMMENDATION:

The Agency should seek ways to be in compliance with the contract agreement paragraph 6. Financial Accounting sub-paragraph A, which states "The Contractor shall maintain financial records in accordance with generally accepted accounting principles and practices."

We talked with the CPA firm on April 30, 2009. We were advised that even though the overall audit opinion was unqualified, there is a new Financial Accounting Standards Board (FASB) pronouncement that deals with small entities and their staffing levels for internal controls.

Mr. Jack Alford has already responded to this finding. Response and Internal Audit reply can be found in the Jericho Agency file for 2007-2008.

We would like to thank Mr. Jack Alford, Treasurer of Jericho House, Incorporated for his courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-2821.

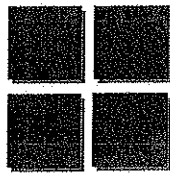


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Interim Assistant City Manager for Economic Development
David Williams, President of Jericho House, Incorporated



HCD

Department of Housing & Community Development

Date: November 9, 2009
To: Jack Alford, Jericho House
From: Michael Blair, City of Greensboro Dept. of Housing and CD
RE: Jericho House Apartments - 2009 Monitoring Report

City of Greensboro staff conducted an on-site monitoring visit of Jericho House Transitional Housing on September 24, 2009. The purpose of the monitoring review was to determine whether the terms of the loan agreement and other federal requirements were being met. This letter summarizes the results of the City's monitoring on the above date.

The specific areas monitored were:

1. Certification of tenant income and Residential Lease
2. HOME (or other fund source) Rents
3. Affirmative Marketing
4. Property Standards
5. Lead-based Paint (if applicable)
6. Compliance with the Agreement and any other applicable requirements
7. Asset Management

During the monitoring, information is documented on checklists based on HOME Program requirements and modified to accommodate other funding sources and agreements. The information gathered serves as a basis for this monitoring report. Findings, concerns and observations, are identified in the report.

For clarification purposes a "finding" is defined by HCD as a project element that does not comply with a local, federal, or contractual, rule or regulation whereas a "concern" is either a potential finding or management weakness that should be improved to avoid future problems; an "observation" can be a comment about the property or a suggestion that may improve a service or element of operations.

Certification of Tenant Incomes

Three individual files were reviewed:

- The certifications were completed within required timelines.
- All income appeared to be included in the eligibility determination.

No Findings or Concerns noted.

Rents

For reference purposes the property is located at 2824 Liberty Road in Greensboro, NC. The March 2002 acquisition project created 6 transitional housing units. City of Greensboro financing for Jericho House was \$62,000 in federal CDBG dollars. Additional funding was provided by the North Carolina Housing Finance Agency (SHDP funding).

The rooms would be affordable to tenants at or below 50% (per the NCHFA funding) of adjusted local median income for one person household.

- Occupancy Requirement (20% rule): N/A
- Rent Requirements: None of the units had rents that exceeded the allowable rent.
- Over-Income Tenants: None of the tenants were over income (all files reviewed contained unemployment affidavits)
- Rent Increase: N/A

No Findings or Concerns noted.

Affirmative Marketing

No Findings or Concerns noted.

Property Standards

Room inspections are conducted by both tenants and management.

Observation #1:

The yard needs to be kept cleaner and yard debris such as paint cans and buckets should be removed.

Observation #2:

All bedrooms were in acceptable condition. The exterior of the building/house was also in acceptable condition.

Required Corrective Action:

Please send by email any repairs or maintenance in response to this report and the inspection report to michael.blair@greensboro-nc.gov.

No Findings or Concerns noted.

Lead-based Paint

The property is not subject to lead-based paint requirements as it is a "0-bedroom dwelling".

No Findings or Concerns noted.

Residential Lease

No findings or concerns noted.

Contractual Agreement Compliance

The purpose of the agreement March 2002 acquisition/rehabilitation agreement is to regulate and restrict occupancy, rents, operation, ownership and management of the property.

Jericho House is in compliance with the agreement insurance requirements as well as the the rest of the agreement.

No Findings or Concerns noted.

Asset Management

No Findings or Concerns noted.

Rental Property Scoring Report – 88

Observation # 3:

A score of 88 (out of 100 possible points) places Jericho House apartments in the green rental scoring category.

Required Corrective Action:

None. The property is well managed and there are no financial or serious compliance concerns.

Rental Property Scoring Report: Maximum 100 – 88 retained after deductions


Indicator	Result	Deducted or added
Physical Occupancy FY08/09	88 %	-10
Difference between Physical Occupancy and Econ. Occupancy (CY2008)	N/A	0
Average Vacant Unit Off-line Time	N/A	0
Maintenance Response Time	N/A	0
Overall Physical Condition	"Satisfactory"	0
Per Unit Cash Flow	N/A	0
Hard Debt Service Coverage Ratio	N/A	0
Timely Delivery of External Audit	Yes	0
Adhering to HOME, PJ, Agreement and/or Note and Deed	Yes	0
Adhering to Reporting Standards	Yes	0
Cash Flow	N/A	0
Resident Turnover Rate	N/A	0
Property Taxes Paid Overtime	Yes	0
Reserve requirements met	N/A	0
Replacement reserve Minimum of \$1,000/unit	No	-2

Overall the property is adequately maintained and operated, and provides decent housing to men recently released from incarceration. A response (and cleanup completed) is requested within 30 days of the date of this letter for Observation #1. The Internal Audit report did not request a reply.

HCD staff appreciates the assistance and documentation that Jericho House volunteers and residents provided during the monitoring visit.



Michael Blair
Specialist Grants Compliance



Dan Curry
Acting Director HCD